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GERMAN ECONOMIC ISSUES AT FOREFRONT OF MOSCOW CONFERENCE

ON the eve of the Moscow conference, scheduled to open on March 10, the four powers now exercising joint control over Germany have deployed every effort to strengthen and clarify their respective positions concerning the future of the defeated country. Because of the increasingly bitter struggle all Europe is waging against hunger, destitution and despair, the economic problems of Germany have taken precedence over territorial and political issues. But every economic measure is formulated by each of the four Allies, and closely scrutinized by the others, with an eye to its effect on the fundamental problem of security against future wars.

WHEN IS RECOVERY A THREAT? Judging by available evidence, the United States, Britain, France and Russia agree that Germany, once the leading industrial nation on the continent, cannot be left in its present impoverished condition, and must be permitted to recover to the point where it would not only provide livelihood for the Germans, but also aid the reconstruction of Europe. The United States and Britain, as Mr. Hoover's report of February 27 to President Truman re-emphasized, are first of all determined to reduce their expenditures in the fused Anglo-American zones by increasing the Germans' capacity to produce goods for export. Then the proceeds of these exports can be used to purchase the food and raw materials now furnished at the expense of the Western powers. France, as well as Belgium, the Netherlands and other countries, would like to obtain manufactured goods from Germany in the form of reparations—but wonder to what extent industrial recovery can be allowed to develop before it creates the danger of German military resurgence. Some American observers, notably Mr. Hoover, minimize the danger of renewed German military power, but their views are not shared by those nations of

Europe which have been invaded by the Germans twice in the lifetime of one generation. Russia, for its part, is determined to obtain steel and capital equipment from the western zones of Germany for its own reconstruction to a total value of \$10 billion—but wants to obtain them as reparations over and above the amount it was allotted at Potsdam, rather than through ordinary trade channels. In other words, it wants to get free of charge some of those products of German industry which the Western powers intend to have their zones sell abroad for foreign exchange that could be used by the Germans to purchase urgently needed food and raw materials.

RELIEF OR REPARATIONS? For the moment, then, a stalemate has developed between the four powers as to the character and scope of Germany's economic recovery under Allied control. Their respective proposals reflect this divergence of views. On behalf of the United States the Hoover program stresses the immediate need for relief of the German people, at the estimated cost of \$475,000,000. This amount, however, is not to be a gift. It is to be made a first charge on the economy of Germany and repaid from any future net German exports, taking priority over reparations Germany owes to the countries it conquered and devastated. Actually the amount suggested by Mr. Hoover does not appear large when compared with our \$3,750,000,000 loan to Britain, and the \$2 billion loan reportedly sought in this country by Russia. The philosophy that inspires the policy of the United States, as expressed anew by Mr. Hoover, is that this country, the only occupying power capable of furnishing large-scale relief, must provide aid for the Germans if "Western civilization is to survive in Europe." Since the Germans must repay this aid, however, the United States will find it more desirable than ever to assure the industrial

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revival of Germany and to promote German exports—which will thus be withheld from the reparations Germany was to have paid to its wartime victims. The paradoxical result might be that the United States, whose economy has not been destroyed by war, would be ahead of Germany's victims as yet unpaid—for example, Belgium and the Netherlands—in its claims for compensation. Without relief, however, Germany might be unable to pay reparations. Meanwhile the United States remains adamant in its contention that Russia should receive no further reparations beyond the amount set by the Potsdam declaration. Moreover, the United States last April suspended reparation payments from its zone to Russia because the Russians had failed, as agreed at Potsdam, to make the required deliveries of food and raw materials from their zone, and to support Germany's economic unity, but permitted resumption of deliveries on a limited scale in November.

Britain, on the whole, has shared the view of the United States concerning the need to reduce Allied expenses in Germany, and this view will have even stronger support in London now that Britain itself is faced with growing economic stringency. Yet the British, who must literally "export or die," look with mixed feelings on industrial recovery in Germany which might create a renewed threat to their exports. The British are consequently more sympathetic than they were in 1919 to the views of the French, who are just as apprehensive as after World War I about the

possible military results of Germany's economic recovery. It is significant that the fifty-year Pact of Dunkerque, signed by Britain and France on March 4, provides for safeguards against the economic as well as the political dangers of a restored Germany. The French, however, would like to go much further than the British are yet prepared to do, and have presented an elaborate plan for international supervision of the production of Ruhr coal—sinews of German heavy industry—as a substitute for their earlier demand for separation of the Ruhr from Germany—a demand firmly resisted by the United States and Britain who want no further parceling of German territory.

The Russians, meanwhile, have been contending for some time that the Western powers plan to rebuild Germany as a bulwark against or a springboard for attack on the U.S.S.R. They claim that the United States and Britain seek to exclude Russia from what the Soviet government regards as a legitimate share in the current industrial production of the western zones. In this connection Russia—which at Lake Success on February 26 referred to the "greater sacrifices" of the United States in the Pacific to justify Washington's demand for trusteeship over the Japanese mandated islands—may invoke its "greater sacrifices" in Europe to support further claims for reparations.

VERA MICHELES DEAN

(This is the first of three articles on the issues before the Moscow conference)

U.S. STUDIES NEED FOR REVISED POLICY ON KOREA

Today in occupied Korea the United States and the Soviet Union are probably engaged in a more clear-cut political and economic contest than anywhere else in the world. For the land and the people of Korea have been divided into two sections, one under Washington and the other under Moscow. North of the 38th parallel lies the Russian zone, containing an important agricultural population and the bulk of the heavy industry built by Japan while it held Korea as a colony. South of the parallel lies the American zone, a rich agricultural region with light industries and the majority of Korea's twenty-five to thirty million people. It is no exaggeration to say that the reactions of the Koreans to the comparative benefits and disadvantages of American and Russian occupation will have a profound influence not only on the future of the highly strategic Korean peninsula, but also on the Far Eastern situation as a whole.

BIG TWO IMPASSE. At Cairo in November 1943, Korea was promised its independence "in due course." At Yalta, in February 1945, the division of the country at the 38th parallel was agreed upon for military purposes, since it was expected that both Russian and American forces would see action on Korean soil before the defeat of Japan. In August

1945, after the Russian declaration of war on Japan, the Red Army drove into north Korea, and early in September, following Japan's formal surrender, American troops under Lieutenant-General John R. Hodge landed in the South. Still later, at the Moscow conference in December, the United States and Soviet Union agreed to confer on the amalgamation of their zones and the establishment of a single Korean provisional regime, which would operate under a five-year trusteeship held by the United States, the U.S.S.R., Britain and China.

Subsequently, a joint Soviet-American commission convened in Seoul, the Korean capital, but after weeks of discussion the conferences were suspended early in May. The immediate cause of the breakdown was Russia's insistence that the commission should not consult any Korean political leaders or groups hostile to the Moscow decisions on trusteeship.

PATTERN OF NORTH KOREA. Our information about popular reactions in the Russian zone is limited, since the area is effectively cut off from outside observation. Nevertheless, some formal aspects of the Russian occupation are clear. In February 1946 an Interim People's Committee was established to serve as the provisional Korean civil administra-

tion. The Communist party, although in a numerical minority in the distribution of the top positions, held several key posts, including the presidency, which was filled by Kim Il-sung. In March the Interim People's Committee issued a land reform decree, providing for widespread peasant proprietorship through extensive confiscation of landlord holdings. In the industrial sphere the Russians did not follow the same policy of removals as in neighboring Manchuria, according to Edward W. Pauley, who visited north Korea as a special Presidential envoy in June 1946. He has also stated that "there was considerable evidence of efforts by the Russians to revive industry."

Charges that military conscription is taking place in the North have been attributed to General Hodge as a result of a press conference which he held in Washington on February 24. Although a public correction has not been issued, Hodge was simply passing on the report of the north Korea radio that the local peoples committees were conscripting Koreans for various non-military services. However, the Washington administration believes it is possible that Russia is arming some of these conscripted Koreans.

AMERICAN DIFFICULTIES. In the American zone, about which more is known, although news coverage is fragmentary, economic and political difficulties are grave. Symptomatic of the situation is the death of at least eight persons in Seoul on March 1 as a result of clashes between leftist and rightist demonstrators. Even more significant, last September over 30,000 south Korean railway employees struck, demanding higher pay, increased rice rations, and the same labor laws as in the Russian zone. Early in October the entire province of Kyongsong Pukto was placed under martial law after many deaths had occurred through riots, featured by attacks on Korean police stations. In connection with these riots General MacArthur recently reported that an investigation had been made into complaints against the Korean police, Japanese collaborators, and certain corrupt Korean officials.

High prices and shortages of food and consumers'

goods have become urgent problems in the American zone. Politically, the struggle between the south Korean right and left is becoming more and more embittered. In both respects difficulties arise in part from the zonal division: for example, the South has traditionally been dependent on the North for coal, which it must now procure outside Korea, and the north Korean radio has been encouraging political discontent in the South. But even when allowance is made for factors of this type, it seems clear that Korean difficulties arise primarily from the inadequacy of American policy.

The occupation began virtually without political planning; it has lacked guidance from personnel familiar with Korean conditions; and the tendency of the military authorities has been to work with elements supporting the status quo. It is true that some of these elements were long associated with Korean nationalism in exile, but too often they seem to have been out of touch with developments in their country. The occupation authorities have not pressed for land reforms, despite the great need for an agricultural overhauling in a country in which more than half the agricultural population consisted of outright tenants in 1936. In December the first session of an Interim Legislative Assembly for south Korea opened in Seoul, but significantly Kim Kyu-sik, one of the best men with whom we have worked, protested publicly against the election of many members who had once collaborated with the Japanese. Under these circumstances the Communists have waged a bitter and unceasing propaganda campaign against American policy and are reported to be strong in the labor movement, among students and among sharecroppers to whom they have promised land.

General Hodge is now in Washington to help draft a joint State-War Department study of Korean conditions as a basis for fundamental policy decisions by Secretary Marshall. He and other officials dealing with the occupation are also anxious that Congressional budget action should not result in reduced funds for American forces in south Korea. But while nothing can be done without adequate finances, it is apparent that money alone can accomplish little. In addition, it is crucial that steps be taken to end the unnatural division of Korea into two parts. General Hodge seems to be on sound ground when he says that improvement of relations in Korea requires action on "higher levels" than that of the local American and Russian commanders.

LAWRENCE K. ROSINGER

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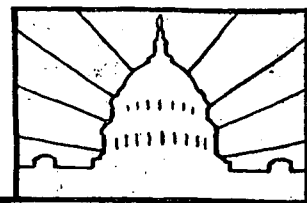
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Washington News Letter



U.S.S.R. APPROVAL OF U.S. TRUSTEESHIP VIEWED WITH MIXED FEELINGS

Since the armed forces are not prepared to entrust this country's security solely to the United Nations, the United States today endeavors to protect itself behind two foreign policy shields: national action, acceptable to the military, and collective action, more satisfactory to the State Department. The effort to reconcile these two opposing policies brought forth the proposal for the establishment of a United States strategic area trusteeship over the mandated Japanese islands in the Pacific Ocean. This proposal was presented in outline by John Foster Dulles to the United Nations on November 7, and was amplified by Warren R. Austin before the Security Council on February 26. The Security Council is scheduled to consider this proposal on March 7. The islands affected are the Marshall, Caroline and Mariana groups, one-time German possessions which Japan received in mandate at the end of World War I. The future treaty of peace with Japan will dispose of other Japanese island territories outside the metropolitan archipelago.

RUSSIAN SUPPORT. The Truman Administration has been confident that the Security Council will approve the proposal since the Soviet government, on February 26, announced it would vote for the United States' request for sole trusteeship provided the agreement was amended in three respects. The United States is expected to accept readily at least the first two Russian amendments which, first, would eliminate the present statement that the islands are to be administered as an "integral part of the United States," and second, would commit the United States to preparing the inhabitants for "self-government or independence" instead of self-government only. The third Russian amendment, however, is more controversial. The United States has suggested that the agreement, once accepted, could not be altered without the consent of this country—a suggestion that reveals the national, rather than international, character of the agreement. The Soviet Union suggested instead the following wording: "The terms of the present agreement may be altered and amended or its validity discontinued by the decision of the Security Council." Yet the amendment would not constitute a substantial change, since the United States, by use of its veto in the Security Council, could legally prevent alteration of the agreement.

Russia's unexpected approval has both pleased and disturbed American officials. It pleased them because it seems to make action possible on the trusteeship

proposal before consideration of the treaty for Japan is begun. The United States wanted the mandated islands considered apart from the treaty on the ground that the Marshalls, Carolines and Marianas were not integral parts of the Japanese Empire and therefore not subject to treatment accorded other Japanese territories.

Moscow's approval, however, may indicate an intention to invoke for its own purposes the reasons the United States used in arguing its right to sole trusteeship. Mr. Austin, the United States representative to the UN, advanced the doctrines of "greatest sacrifice": that we deserve the islands because we had wrested them from Japan with American lives; and of "strategic frontiers": that we would hold the islands both to protect ourselves and to safeguard world peace by keeping them from other nations who might use them for aggressive purposes. The Russian statement, made by Andrei Gromyko, Russian representative to the UN, applauded especially the doctrine of greatest sacrifice. Since Russia liberated Eastern Europe at a high cost in lives, Soviet negotiators at the coming Moscow conference on the German and Austrian treaties may refer to their country's sacrifices to bolster their claims in Europe. Russia's attitude in favor of action on the Pacific trusteeship problem in advance of a Japanese treaty conference also strengthens its claim to the Kurile Islands, awarded to Russia at the Yalta Conference in 1945, while the war against Japan was still in progress.

PARTIAL INTERNATIONALISM. The proposed trusteeship agreement is less nationalist than the armed forces wished, despite its emphasis on sole trusteeship, its prohibition against change in its provisions without American approval, and the unlimited privilege it gives to the United States to declare any portion of the islands a security zone and thereby to bar the visits of United Nations trusteeship inspectors. The Navy Department wanted the United States to annex the islands outright without reference to the United Nations. America will owe its authority in the islands to a decision of the Security Council, an international body. The proposal, however, is essentially a claim of special rights in particular areas, and sets forth arguments available to other governments for justifying similar claims elsewhere. It thus weakens the claim of the United States that it may properly concern itself with events in every nation and every portion of the globe.

BLAIR BOLLES